

**SUPPLEMENTARY EL NIÑO EMERGENCY PROGRAM
(COASTAL HIGHWAY SYSTEM)**

(EC-0187)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Ecuador

EXECUTING AGENCY: Office of the President of Ecuador, through the Coordinating Unit of the El Niño Emergency Program and the Ministry of Public Works and Communications as the coexecuting agency

AMOUNT AND SOURCE:

IDB:	US\$48.0 million
	US\$36.7 million (OC)
	US\$11.3 million (OC/IFF)
Local counterpart funding:	US\$12.0 million
Total:	US\$60.0 million

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	25 years
Grace period:	4 years
Commitment period:	
B Emergency-related components:	2 months
B Other components:	6 months
Disbursement period:	
B Short-term rehabilitation:	12 months
B Other components:	20 months
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%
Currency:	Single Currency Facility

llars

OBJECTIVES:

The specific objective is to reopen the coastal highway network damaged by El Niño (before the rainy season next winter). In addition, studies and final designs for the works to be undertaken in an "after-the-emergency" stage will be prepared, covering reconstruction activities to be financed under a new operation.

The general objective is to support the actions needed for the protection and temporary rehabilitation of the coastal highway network, as part of the El Niño emergency program ("during-the-emergency" stage).

DESCRIPTION:

The program contains the following components to achieve the aforementioned objective:

a. **Emergency-related components:**

(1) Short-term rehabilitation. Preparation, implementation and supervision of emergency works to rehabilitate the main coastal highway along some 1,000 km (30 projects) damaged by flooding during the 1997-1998 El Niño event, not included in other

scheduled emergency projects funded from loan 1057/OC-EC. (2) Studies for rehabilitation works. This component includes a review and updating of technical studies prepared by the Ministry of Public Works for the short-term rehabilitation works. (3) Works supervision. This component includes supervision of the short-term rehabilitation works. (4) Technical-operational and environmental audits. This component includes technical auditing services to review the administrative procedures used to contract works and to supervise the contracts for preinvestment studies and designs, and report on the financial performance of the program. A specialized firm will be hired to ensure compliance with environmental responsibilities. The firm will also perform environmental evaluations of the program and of the work of contractors and supervisors (see paragraphs 3.17 and 3.28).

b. Other components:

(1) Preinvestment. This component includes the preparation of studies and final designs for highways and bridges for permanent reconstruction of the country's road network. (2) Special studies. This component includes preparation of the following special studies: (i) a plan for coping with emergencies affecting highways; (ii) a road management plan, including urgent activities such as rationalization of the use of equipment, quality control procedures for works, and an investment plan for urgent, priority rehabilitation works and periodic and routine maintenance; and (iii) technical studies on pavement design and quality control, focussing on asphalt mixtures of different thicknesses.

**ENVIRONMENTAL
REVIEW AND SOCIAL
ASPECTS:**

CESI reviewed the document and made the following recommendations:

Ensure that the contractors and works supervisors comply with their environmental responsibilities by including such responsibilities in their terms of reference. Ensure that the environmental auditing firm verifies compliance.

POVERTY IMPACT:

Not applicable

**EXCEPTIONS TO BANK
POLICY:**

Given the nature of the emergency and the extent of the damage caused by the El Niño event and in view of the natural disaster policy guidelines (OP-704), it is recommended that:

(i) the program components included in the "during-the-emergency" stage, use the same simplified special procedures that were approved for Loan 1057/OC-EC (El Niño Emergency Program) to procure goods and services, carry out the works, and select and contract consulting services; (ii) with respect to retroactive cost recognition, financing of eligible costs incurred after September 1, 1998, up to US\$10 million equivalent, be authorized provided they comply with requisites that are substantially similar to Bank procedures (see paragraph 3.33); and (iii) the executing agency be permitted to hire directly the same technical and environmental auditing firms that were contracted under loan 1057/OC-EC (see paragraphs 3.17 and 3.28).

**PROCUREMENT
LIMITS:**

International competitive bidding will be compulsory for construction contracts valued at more than US\$3 million, goods and related services valued at more than US\$300,000, and consulting contracts valued at more than US\$200,000.

For procurements requiring **international competitive bidding** ("during-the-emergency" stage), the Bank will simplify standard procurement procedures, as follows:

a. **A single general procurement notice** will be **Development Business**. The notice will state that procurement notices will be published in certain national lead of in *Development Business*. The notices in the will specify that no restrictions will be placed on y foreign firms.

b. For procurement of works and goods valued at or less, the Bank accepts the procedures for n and qualification of contractors prepared by the MOP 3.22). In the procurement of works and goods, be awarded to the lowest bidder. Contracts will be :qualification, whereby the lowest bidder is selected, fication of his qualifications.

c. For consulting services, the specific procurement be published in national newspapers, inviting interest. Based on selection criteria previously approved by the Bank, the best firm will be chosen to contract. This will replace the standard procedure alification, short lists, and invitations to bid.

For procurement of works by **direct contracting** or procurement requiring **limited bidding**, the simplified procedure contained in the Operating Regulations will be used, which is the same as the procedure approved for loan 1057/OC-EC (El Niño Emergency Program), adjusted to the conditions of this operation (see paragraphs 3.7 and 3.8) and to the following requirement:

a. for the direct contracting of works valued at up and limited bidding for works valued at between US\$3 million and for the contracting of services for construction, the contracts will be based on lump sum in United States dollars and payable in sucres at the quoted by the Central Bank of Ecuador on the date of

Contracts for the other program components (preinvestment) will be subject to the Bank's standard procurement procedures.

BENEFITS:

The program will help to alleviate serious problems with travel on highways along the Ecuadorian coast that were damaged by the torrential rains caused by the 1997-1998 El Niño event. In the short term, the main coastal highways linking the country's production centers will be rehabilitated, facilitating and reducing the cost of transporting goods and passengers year round. Safety will be enhanced, particularly on roads carrying the highest volumes of traffic. The project is expected to improve the living conditions of the affected population and contribute to the economic recovery of Ecuador's coastal region.

RISKS:

The following potential risks have been identified:

1. Quality of the works and contracting time. The program must be contracted within 2 months after the of the loan contract and executed rapidly, which could k of jeopardizing the quality and standards of the minimize this risk, a list of eligible projects has d in conjunction with the MOP and prioritized on the uidelines for the emergency stage, terms of reference and environmental quality control procedures and of the works (80%) involve bituminous surface h does not require sophisticated asphalt plants and re opportunities for using local manpower. This will tiveness and open up the construction market.

2. Counterpart. Given Ecuador's economic and tion (drop in oil prices, banana exports, etc.) there at the counterpart will not be made available in a However, the government has informed the Bank that y identified the counterpart funds and will give ocating them to this program.

3. Environmental risk. Although the project works imple, there is always the risk of pollution from construction materials, inadequate management of work e of rights-of-way as dumps for trash and other waste. hese risks, the contracts for supervision of the works rict compliance with the rules and procedures for

impact control established by the MOP.

**THE PROJECT'S
PLACE IN THE
BANK'S COUNTRY
AND SECTOR
STRATEGY:**

The Bank's natural disaster policy (OP-704) is to cooperate with countries prior to, during, and after emergencies, assist them in protecting themselves from the impact of disasters and in effectively restoring their socioeconomic development. It also provides assistance for the adoption of appropriate measures to prevent or reduce losses caused by natural disasters.

The proposed program complies with the objectives of the Bank's natural disaster policy and is consistent with the policy that led the President of Ecuador to declare a national state of emergency in Executive Decree 425 of July 2, 1997. The government has maintained this state of emergency in areas where coastal roads have been rendered impassable by the El Niño event.

Although El Niño ended in June of this year, its effects and consequences are still being felt in the area targeted by the proposed program. Therefore, the main components of this operation should be considered as part of the "during-the-emergency" stage, in accordance with the guidelines established in loan 1057/OC-EC. They are intended to bring transportation and socioeconomic development in the region back to normal.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement:

(i) approval of the program Operating Regulations, the coexecution agreement between COPEFEN and the MOP, and an agreement on the selection of consulting firms to provide supervision with MOP/CORPECUADOR (see paragraph 3.7); (ii) review and approval of the terms of reference and simplified design for emergency rehabilitation of the roads in the program (see paragraph 3.10); (iii) review and approval of the terms of reference and contracts for supervision of construction works (paragraph 3.30); (iv) review and approval of the contracts for the technical and operating audit firm (see paragraphs 2.13, 3.17 and 3.28).

Other special conditions:

(i) contracting of the firm in charge of environmental assessments and monitoring of the program within a period of 30 days after the date of signature of the loan contract (see paragraphs 2.13, 3.17, and 3.28); (ii) presentation of an annual maintenance plan and a report on maintenance performed on the program works in the preceding year (see paragraph 3.13); (iii) follow-up meetings (see paragraph 3.36); (iv) mechanism for ex post review of design, works, supervision, and audit of the emergency program, adopted by the Controller General of the Republic (see paragraph 3.27); and (v) presentation of progress and special reports (see paragraph 3.37).